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For Immediate Release

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**BEWARE OF OIL/GAS SCHEMES, SECURITIES REGULATORS WARN; CON
MEN MAY SEEK TO EXPLOIT FEARS OVER MIDEAST, OIL SUPPLY**

(Olympia: 03/06/03)—With oil prices nearly \$40 a barrel because of supply shortages and Mideast war fears, state securities regulators anticipate an increase in oil and gas scams.

Regulators in at least seven states—Washington, Kansas, Kentucky, Ohio, Oklahoma, Texas and Wisconsin-- have recently taken actions against investment promoters pushing oil and gas schemes and they worry that news of high oil prices could make investors more vulnerable to crooks.

“Con artists always use the headlines as a way to get into investors’ wallets,” says Deborah Bortner, Securities Administrator for the Washington State Department of Financial Institutions, Securities Division.

Regulators are concerned that a desire to cash in on rising oil prices may lure investors into unsuitable or fraudulent oil and gas ventures. Oil prices were recently nearly \$40 a barrel. Heating oil prices are up 50% over the past year, according to the U.S. Department of Energy.

Bortner reported that the Securities Division has taken action against a California company, Universal Energy Solutions, Inc. for offering unregistered oil and gas investments to Washington residents and is investigating an Illinois company, American Energy, L.L.C., for possible securities violations.

Bortner pointed out that an unregistered offering might be an important red flag that can alert an investor to a potential problem. According to Bortner, "Investments must be registered with the State or have an exemption from registration. Persons offering securities must also be licensed with the State. Checking to see if a securities offering and those that are selling it are registered is a good beginning of an investor's inquiries to protect him or herself against potentially fraudulent offerings."

The Securities Division alleged that a Universal Energy Solutions agent told a Washington resident that, on a \$16,000 investment, he could expect a \$1,200 monthly return in the first year and \$50,000 in five years. The agent also allegedly told the Seattle resident "the investment was almost as good as guaranteed."

Bortner said that fraudulent oil and gas offerings may contain other red flags such as: (1) unsubstantiated claims of past or future profitability; (2) high pressure sales tactics; (3) risks of the investment are omitted or minimized; (4) outdated or fictitious engineering and geological reports and (5) failure to disclose material facts about the company or its promoters.

In Kentucky, regulators recently shut down a promoter for Albany, KY-based Vision Oil Company who claimed that God, not geology, was the key to finding oil. "God gave me a vision of three oil wells," Linda Stetler said in a letter sent to potential investors. Regulators allege that over the course of several years Stetler and her company engaged in illegal practices, including inadequate disclosures of risks and selling to unsuitable investors. Vision Oil Co. and its agents were fined by the state and ordered to pay restitution to investors.

The Securities Division is currently investigating American Energy, L.L.C., a company that has offered oil and gas investments on the Internet and been the subject of enforcement action by the Illinois Securities Division. According to Bortner, Illinois charged American Energy L.L.C. with distributing false financial information and failing

to disclose that its managing principal, William “Bill” Hoidas, was the subject of a 1995 Securities Exchange Commission injunction for fraud violations. Bortner requests that any Washington residents who have been offered or purchased investments from American Energy, L.L.C. contact the Securities Division.

Bortner said, “Speculation on oil and gas wells is risky business no matter what is going on in the rest of the world.” Investors are asked to do the following:

- Beware of cold callers. High-pressure sales tactics and “once in a lifetime” opportunities are signals to hold onto your wallet.
- Read carefully any written material provided. Make sure that what you are hearing from the promoter is consistent with what you have read.
- Before investing, call the Securities Division to determine if the investment and the promoter are properly licensed and registered in the State of Washington. If they aren’t, don’t invest.

To contact the Department of Financial Institutions, Securities Division, call the Fraud Line number at 1-800-372-8303 or visit its website at www.dfi.wa.gov/securities